

TTAB Proceedings and Declaratory Judgment Jurisdiction

Cease and desist letters were a substantial topic of discussion at Pattishall's Intellectual Property CLE Forum in April. As was discussed, an intellectual property owner who encounters an infringer has a range of strategies to halt the infringing activity, from sending a cease and desist letter to filing a federal lawsuit. A cease and desist letter can be a fast, cost-effective approach if the infringer acquiesces. A topic of equal relevance is when the infringing activity involves a trademark application or registration in the United States Patent and Trademark Office ("USPTO"). In this circumstance, the owner has an additional option: it can oppose the application or petition to cancel the trademark registration before the Trademark Trial and Appeal Board ("TTAB").

One risk of sending a cease and desist letter is that, in some circumstances, it can expose the sender to a lawsuit under the Declaratory Judgment Act, 28 U.S.C. §§ 2201-02 ("DJA"). The DJA allows federal courts to resolve uncertain legal relations between parties at an early stage in disputes. For example, when Party A uses a trademark and Party B alleges the trademark is infringing, Party A can, without waiting to be sued, file a complaint under the DJA to determine the parties' rights. The DJA states, in pertinent part:

In case of actual controversy within a jurisdiction ... , any court of the United States, upon filing an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.

28 U.S.C. § 2201.¹ Thus, a suit under the DJA can only proceed where there exists an "actual controversy" between the parties. 28 U.S.C. § 2201(a). A cease and desist letter's infringement claim may satisfy the "actual controversy" requirement by placing into dispute the ownership of intellectual property rights. Under the DJA, the recipient may then request a court's determination that it has valid rights and its actions are non-infringing. By comparison, opposition and cancellation proceedings in the TTAB, by themselves, have not historically carried the risk of DJA exposure. *See Surefoot LC v. Sure Foot Corp.*, 2006 U.S. Dist. LEXIS 87283, at *4 (D. Utah Oct. 31, 2006) ("Circuit courts have uniformly held that TTAB proceedings do not give rise to declaratory judgment jurisdiction.") (quotation omitted), *rev'd* by 531 F.3d 1236 (10th Cir. 2008) (discussed below).

However, a 2007 Supreme Court decision and several subsequent cases show that courts are more willing now to give TTAB proceedings substantial weight in determining jurisdiction under the DJA. In *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007), the Supreme Court rejected the Federal Circuit's longstanding test whereby the "actual controversy" occurred only when one party had "reasonable apprehension of a suit." *Id.* Instead, the Court laid down a broader, less burdensome test for assessing DJA jurisdiction to help parties avoid "'bet the farm [scenarios] by taking actions that could subject them to substantial liability before obtaining a declaration of their rights." *Surefoot LC v. Sure Foot Corp.*, 531 F.3d 1236, 1243 (10th Cir. 2008). Under *MedImmune*, the new test for declaratory judgment jurisdiction is:

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Whether the facts alleged, under all the circumstances, show that that there is a substantial controversy, between the parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment action.

MedImmune, 549 U.S. at 127. The *MedImmune* Court also explained that the dispute must be "definite and concrete, touching the legal relations of the parties having adverse legal interests." *Id.* Although *MedImmune* involved a patent dispute, courts have subsequently found its "facts-and-circumstances" test applicable to trademark disputes. *See, e.g., Surefoot*, 531 F.3d at 1243-44.

One result of *MedImmune* may be increased risk of DJA jurisdiction even in cases of innocuous cease and desist letters. *See Express Scripts, Inc. v Intel Corp.*, 2010 U.S. Dist. LEXIS 18933, at *12 (E.D. Mo. Mar. 3, 2010) (where cease and desist letter objected to an intent-to-use trademark application, "situation likely would not have satisfied the Federal Circuit's pre-*MedImmune* test, [but] the Court finds that [declaratory plaintiff] has made a sufficient showing to satisfy current governing precedent").

The question of whether the filing of an opposition or cancellation proceeding exposes the filer to a declaratory judgment action was addressed in *Surefoot*. The Tenth Circuit found that *Surefoot LC's* six-plus years of ongoing allegations of infringing behavior against *Sure Foot Corporation*, as well as filing five trademark cancellation and opposition proceedings, established, under all the circumstances, a dispute of sufficient definiteness and concreteness to satisfy the *MedImmune* standard. 531 F.3d at 1243-44. Although "courts should not take a TTAB opposition filing, automatically and by itself, to be conclusive evidence of the existence of a live infringement dispute. ... TTAB proceedings sometimes do involve express assertions of infringement, and other times are at least a symptom of, or even a proxy fight for, an underlying infringement dispute." *Id.* at 1246. Thus, the court stressed that a TTAB proceeding is not categorically off limits to the DJA. Instead the boundaries of DJA jurisdiction must be considered in light of "all the circumstances" including TTAB proceedings. *Id.* at 1246-47.

Following *MedImmune*, other courts have confirmed that opposers or petitioners in TTAB proceedings may risk exposing themselves to DJA jurisdiction due to statements or actions in addition to the proceedings. *See, for example, Floyd's 99 Holdings, LLC v. Woodrum*,

1. There exists no independent federal subject matter jurisdiction under the DJA. Therefore, the declaratory judgment action must be based on a traditional federal cause of action (e.g., a claim that gives rise to a federal question) or diversity jurisdiction in order to be heard in a federal court. A claim under the Lanham Act, 15 U.S.C. §1121, and the jurisdiction statute addressing trademark infringement and unfair competition, 28 U.S.C. § 1338 (a)-(b), provides requisite jurisdiction for the DJA. *Geisha, LLC v. Tuccillo*, 525 F. Supp. 2d 1002, 1009 n.11 (N.D. Ill. 2007).

2009 WL 798804, at *5 (D. Colo. Mar. 24, 2009) (finding actual controversy where declaratory defendant sent a cease and desist letter, petitioned to cancel a declaratory plaintiff's trademark registration, and expressed his belief that the declaratory plaintiff's trademark is infringing); *HIS IP, Inc. v. Champion Window Mfg. & Supply Co., Inc.*, 510 F. Supp. 2d 948, 956 (M.D. Fla. 2007) (declaratory defendant petitioned to cancel a declaratory plaintiff's trademark registration and also sent correspondence "suggesting it would sue if its concerns 'could not be settled on an amicable basis'").

These cases suggest a "TTAB Plus" rule may be emerging: that actions taken or statements made in addition to opposition or cancellation proceedings may expose the opposer or petitioner to declaratory judgment jurisdiction. This may include sending a letter, a verbal statement alleging infringement, or a verbal request – even during settlement discussions. IP counsel now has reason to carefully balance these considerations as it contemplates its IP enforcement strategy.

– David Beeman

FIRM UPDATE & ANNOUNCEMENTS

APPOINTMENTS

Ashly Iacullo has been appointed as a Director of the Executive Council of the Chicago Bar Association, Young Lawyers Section.

Kristen S. Knecht has been appointed as a Project Officer of the Executive Council of the Chicago Bar Association, Young Lawyers Section. **Kristen** also was appointed and served on the 2010 Chicago Bar Association Nominating Committee.

Belinda J. Scrimenti has been appointed to the Board of Directors of the Women's Bar Association of Illinois for a two-year term beginning July 1, 2010.

PRESENTATIONS

Pattishall McAuliffe hosted the Intellectual Property Forum on Effective Strategies for Advertising Disputes, Cease and Desist Letters and Trade Dress Enforcement, on April 22, 2010, at The Metropolitan Club in Chicago, Illinois. **Bradley L. Cohn** and **Alexis E. Payne** spoke about claim substantiation and recent false advertising issues in advertising disputes. **Janet A. Marvel** and **Phillip Barendolts** discussed the protection of non-traditional marks and combating look-alikes and knock-offs in trade dress and product configuration. Demetra Merikas (Kraft Foods) and David Schuman (Church & Dwight Co., Inc.) shared their experiences in drafting and responding to cease and desist letters.

On behalf of the ABA Section of Intellectual Property Law Special Committee on Promotion & Marketing Law, **Pattishall McAuliffe** hosted a Social Networking Roundtable to discuss current legal issues involving social networking on May 13, 2010 in Chicago, Illinois. The event was co-organized by **Alexis E. Payne** and featured four guest speakers, including C. Steven Baker, Director of the Federal Trade Commission's Midwest Region.

The Intellectual Property Law Association of Chicago Trademark Committee, chaired by **Janet A. Marvel**, presented "Brands in the New Economy, The Brave New World of Internet Marketing, and Sound Economic Strategies for Brand Owners," on March 9, 2010, in Chicago, Illinois.

PRESENTATIONS (Cont.)

David C. Hilliard gave the keynote address, "The Curator and the Trustee," at the 2010 Annual Meeting of the Association of Art Museum Curators, on May 17, 2010, in Chicago, Illinois. On May 24, 2010, **David** moderated "Navigating the Law School Administration," at the International Trademark Association (INTA) Meeting in Boston, Massachusetts.

On April 1, 2010, **Robert W. Sacoff** gave a presentation on "The Ethics of Deception" to the Colorado Bar Association in Denver, Colorado, as part of a panel discussion on "Using Deception in IP-Related Investigations." **Bob** is also co-chairing the International Association for the Protection of Intellectual Property (AIPPI) U.S. Group Committee preparing the national group report on Working Question 214, "Protection against the dilution of a trademark," which will be taken up in October 2010 at the AIPPI 42nd World IP Congress in Paris.

Joseph N. Welch II gave a presentation entitled "Fine Jewelry, Good Coffee, and Judges as Pals: 2009-2010 Decisions," at the Practising Law Institute's Advanced Seminar on Trademark Law, in New York City, New York, on April 29, 2010.

HONORS

Jonathan S. Jennings has been recognized in the *64th Edition of Marquis Who's Who in America*.

Robert W. Sacoff is included as one of the top 20 trademark practitioners in the United States in the 2010 *World Trademark Review* "Expert's expert" list.

Pattishall McAuliffe is pleased to announce that for 2010, it is again listed in the prestigious *Martindale-Hubbell Bar Register of Preeminent Lawyers*.

NOTEWORTHY

Teresa D. Tambolas participated as a judge in the American Bar Association's Appellate Advocacy Competition, on April 8, 2010, in Chicago, Illinois.

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